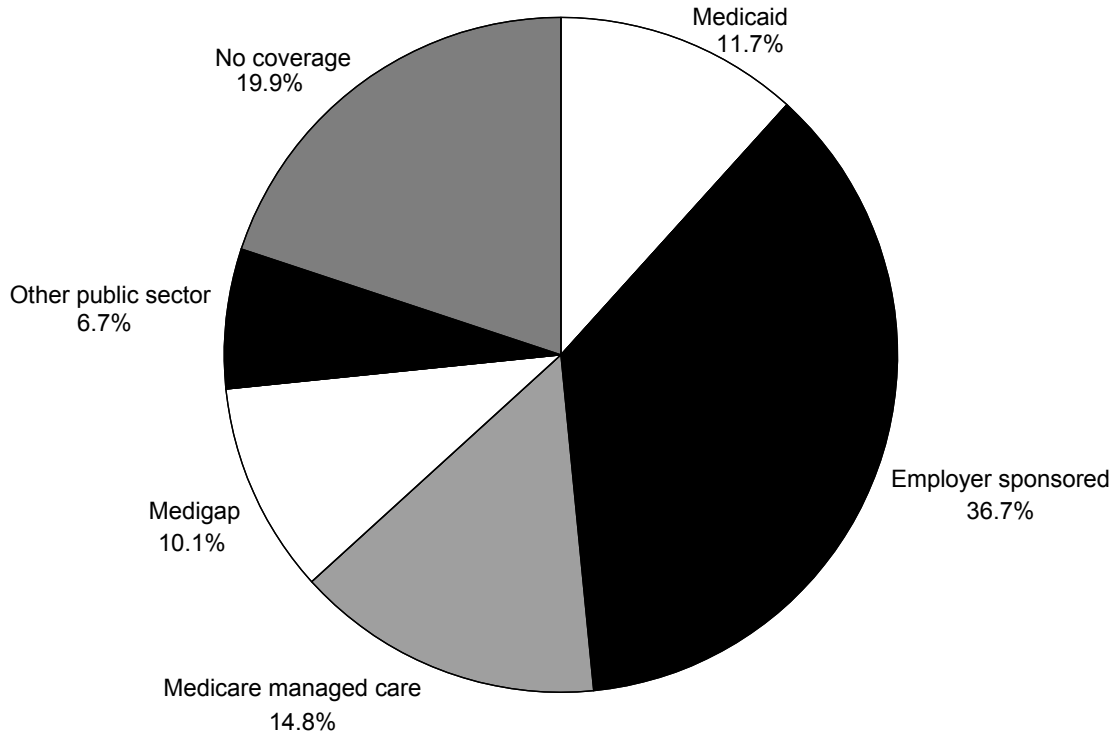
SECTION 10

Drugs

Chart 10-1. Sources of outpatient prescription drug coverage among noninstitutionalized beneficiaries, 2001



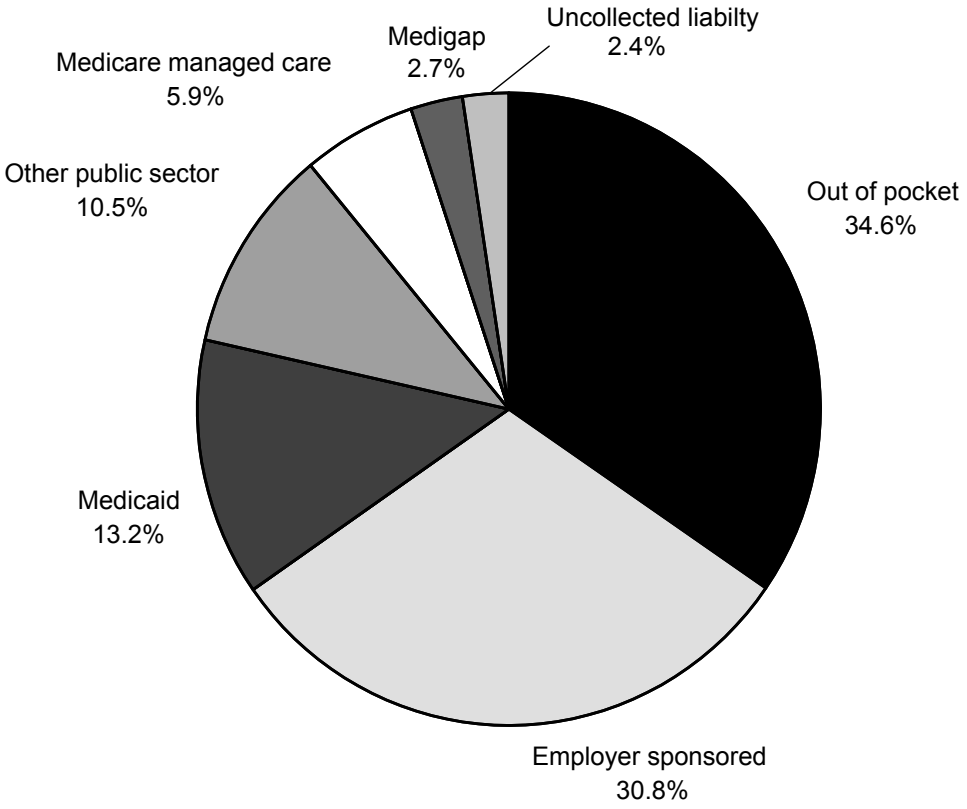
Note: Other public sector includes federal or state programs not included in the other categories. Analysis includes only beneficiaries living in the community. Totals may not sum to 100 due to rounding.

Source: MedPAC analysis of Medicare Current Beneficiary Survey, Cost and Use file, 2001.

- Most beneficiaries living in the community have some drug coverage at some point over a calendar year. Twenty percent did not have any drug coverage at any time in 2001. The most common source of drug coverage in 2001 was employer-sponsored retiree coverage, held by 36.7 percent of community-dwelling beneficiaries. The sources of drug coverage may change substantially when the voluntary prescription drug program established under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 begins in 2006.

- The nature and generosity of coverage varies by source. Medicaid coverage is generally comprehensive and usually requires little cost sharing. Employer-sponsored coverage often provides relatively generous coverage, but the level of generosity has been declining in recent years and that trend is expected to continue. Medicare managed care coverage often has annual limits on the dollar amount of benefits and is generally less generous than Medicaid and employer-sponsored coverage. Also, the generosity of coverage varies substantially among managed care plans, but this variation will likely decline when the program begins making payments in 2006 to managed care plans that participate in the voluntary prescription drug program. Drug coverage through Medigap is relatively limited. All standard Medigap plans with drug coverage have a $250 deductible, a 50 percent coinsurance rate, and have an annual limit on benefits of $1,250 or $3,000, depending on the plan.

Chart 10-2. Sources of payment for prescription drugs among noninstitutionalized beneficiaries, 2001

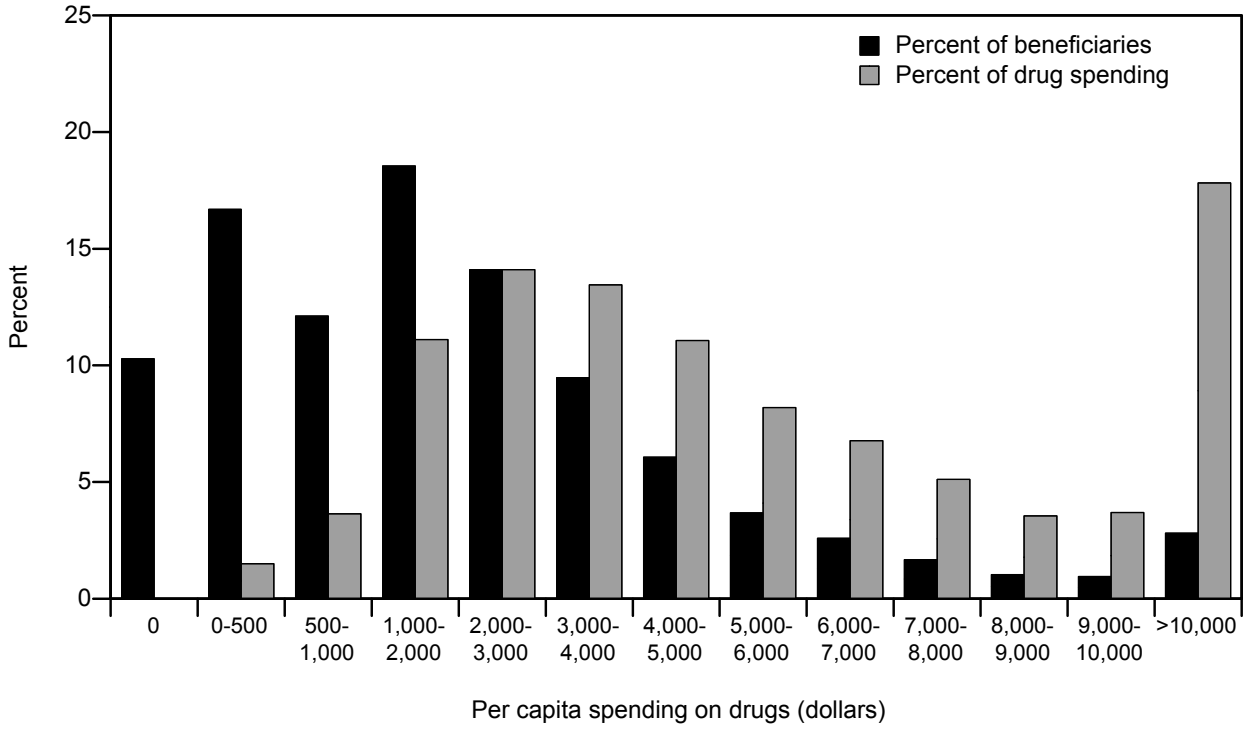


Note: Other public sector includes federal or state programs not included in the other categories. Analysis includes only beneficiaries living in the community.

Source: MedPAC analysis of Medicare Current Beneficiary Survey, Cost and Use file, 2001.

- Beneficiaries living in the community have many sources paying for prescription drugs. The largest source of payment is beneficiaries' out-of-pocket spending, comprising 35 percent of total drug spending. The second-largest source of payment is employer-sponsored retiree coverage, which pays 31 percent of total drug spending.

Chart 10-3. Prescription drug spending per beneficiary, 2004



Source: Estimates from the Congressional Budget Office using data from Medicare Current Beneficiary Survey, 2000, projected to 2004.

- The level of spending on prescription drugs varies widely across beneficiaries.
- About 37 percent of drug spending is concentrated among the beneficiaries with at least $6,000 in drug spending, but they are only 9 percent of all beneficiaries.
- About 30 percent of drug spending is concentrated among the 72 percent of beneficiaries with less than $3,000 in drug spending.

Chart 10-4. Drug coverage among noninstitutionalized beneficiaries, by beneficiaries' characteristics, 2001

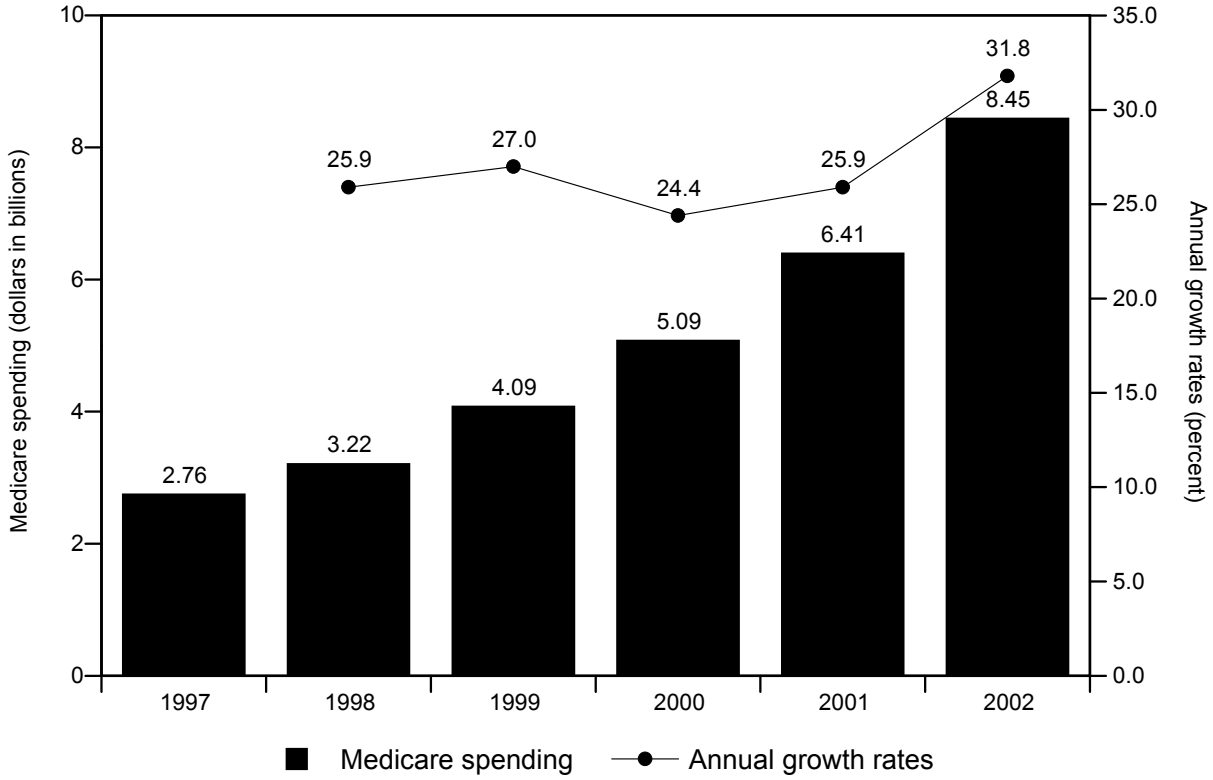
	Number of beneficiaries	Percent without drug coverage
All beneficiaries	38,508	19.9%
Age		
< 65	5,304	19.1
65–69	9,228	18.0
70–74	8,439	18.9
75–79	7,182	20.2
80–84	4,808	21.5
85+	3,547	26.0
Income status		
Below poverty	5,911	19.2
100–125% of poverty	3,966	25.6
125–200% of poverty	7,772	24.2
200–400% of poverty	11,570	18.9
Over 400% of poverty	9,175	15.6
Health status		
Excellent/very good	15,591	21.1
Good/fair	19,235	19.4
Poor	3,521	16.5
Race/ethnicity		
Hispanic	2,847	18.1
African American	3,588	19.8
White	30,562	20.2
Other	1,511	17.3
Residence		
Urban	29,315	17.1
Rural	9,168	34.7
Sex		
Male	17,148	19.9
Female	21,360	19.9

Note: Analysis includes only beneficiaries living in the community. In 2001, poverty was defined as $8,494 for people living alone and $10,715 for married couples. Totals may not sum due to rounding.

Source: MedPAC analysis of the Medicare Current Beneficiary Survey, Cost and Use file, 2001.

- Drug coverage among beneficiaries living in the community differs by demographic characteristics. Rural beneficiaries are much more likely to lack coverage than their urban counterparts. Other characteristics associated with lack of coverage include being age 85 or older and having income between 100 and 200 percent of poverty.

Chart 10-5. Medicare spending and annual growth rates for Part B drugs



Source: MedPAC analysis of unpublished CMS data.

- CMS estimates that expenditures for Part B drugs totaled $8.45 billion in 2002, an increase of 32 percent over 2001.
- These totals do not include drugs provided through outpatient departments of hospitals or for end-stage renal disease patients in dialysis facilities. MedPAC estimates that in 2002 freestanding dialysis facilities alone billed Medicare an additional $2.8 billion for drugs.
- The primary reason for growth in these expenditures is the increased volume of drugs used and the substitution of newer and more expensive medications for older therapies.
- Further analysis can be found in Chapter 9 of the MedPAC 2003 June Report to the Congress, available at http://www.medpac.gov/publications/congressional_reports/June03_Ch9.pdf.

Chart 10-6. Top 10 drugs covered by Medicare Part B, by share of expenditures, 2002

Name	Clinical indicators	Type of competition	Date of FDA approval	Percent of Part B drug spending
Non-ESRD epoetin alpha injections	Anemia	Multisource biological	1989	12.8%
Leuprolide acetate suspension	Prostate cancer	Multisource	1985	8.6
Ipratropium bromide	Asthma and other lung conditions	Generic	1993	7.1
Goserelin acetate implant	Prostate cancer	Sole source	1989	5.6
Drugs, unclassified injections	N/A	N/A	N/A	5.0
Albuterol	Asthma and other lung conditions	Generic	1982	5.0
Rituximab	Non-Hodgkin's lymphoma	Sole source biological	1997	4.9
Infliximab	Rheumatoid arthritis; Crohn's disease	Sole source biological	1999	4.0
Paclitaxel injection*	Cancer	Multisource	1992	2.9
Docotaxel	Cancer	Sole source	1996	2.5

Note: ESRD (end-stage renal disease), FDA (Food and Drug Administration).
*Generic equivalents are now available.

Source: MedPAC analysis of 2002 Medicare claims data from CMS and unpublished FDA data.

- Medicare covers about 450 outpatient drugs, but spending is very concentrated. The top 10 drugs account for almost 60 percent of all Part B drug spending.
- New drugs are replacing older drugs. Of the top 10 drugs covered by Medicare in 2002, 3 received Food and Drug Administration approval in 1996 or later. In addition, spending on injectibles too new to have received their own payment codes accounted for 5 percent of all Part B drug spending.
- Treatments for cancer dominate the list—11 of the top 15 drugs treat cancer or the side-effects associated with chemotherapy.

Web links. Drugs

- Chapter 9 of the MedPAC June 2003 Report to the Congress provides information on Medicare payments for outpatient drugs under Part B.

  http://www.medpac.gov/publications/congressional_reports/June03_Ch9.pdf

- Fact sheet, last updated in May 2003, provides trend data for prescription drug coverage, expenditures, and the key factors that contribute to rising prescription drug spending.

  http://www.kff.org/rxdrugs/3057-03-index.cfm